

**METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA**

**Statement of Expenses and Reimbursements Incurred
for Metropolitan Water District of Southern
California's Water Supply Reliability Program with
Independent Accountant's Report on Compliance with
General and Fiscal Requirements**

**For the Period
July 1, 2002 through March 1, 2009**



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Independent Accountant's Report on Compliance with General and Fiscal Compliance Requirements Applicable to the Metropolitan Water District of Southern California and Their Participating Agencies Pursuant to the Requirements of the State Department of Water Resources State Proposition 13 Funds Under the Water Supply Reliability Program

We examined the Metropolitan Water District of Southern California (Metropolitan) and performed site visits for four of the nine participating agencies under the Water Supply Reliability Program (Program) for general and fiscal compliance requirements with the significant terms of their respective Program Agreements with the State Department of Water Resources (DWR) and Metropolitan for the period July 1, 2002 through March 1, 2009. The Statement of Expenses and Reimbursements Incurred and the General and Fiscal Compliance Requirements are included in the accompanying schedules. Metropolitan and participating agencies' management is responsible for compliance with the significant terms of their respective Program Agreements. Our responsibility is to express an opinion on Metropolitan and participating agencies compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and accordingly, included examining, on a test basis, evidence about four of the nine participating agency's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Metropolitan's and participating agency's compliance with specified requirements.

In our opinion, Metropolitan and the participating agencies complied, in all material respects, with the aforementioned general and fiscal compliance requirements for the period July 1, 2002 through March 1, 2009.

This report is intended solely for the information and use of Metropolitan, DWR and the participating agencies and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & O'Connell LLP

Certified Public Accountants
Los Angeles, California

May 31, 2009

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METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
Statement of Expenses and Reimbursements Incurred for
Southern California Water Supply Reliability Program
For the Period July 1, 2002 through March 1, 2009

	July 1, 2002 through March 1, 2009		
	Approved Metropolitan Funding Budget	Cost as Invoiced and Reported to Metropolitan	Questioned Costs
Inland Empire Utilities Agency/ Cucamonga Valley Water District	\$ 5,147,980	\$ 5,147,980	\$ -
City of Ontario	4,243,802	4,243,802	-
Foothill Municipal Water District	1,686,891	1,686,891	-
City of La Verne	3,300,000	3,300,000	-
City of Long Beach Water Department	4,500,000	4,500,000	-
Orange County Water District	15,000,000	15,000,000	-
Three Valleys Municipal Water District	1,228,375	1,228,375	-
City of Compton	2,428,900	2,428,900	-
City of Long Beach Water Department/ City of Lakewood	2,722,952	2,722,952	-
Western Municipal Water District/ Elsinore Valley Municipal Water District	4,741,100	4,741,100	-
Totals	<u>\$ 45,000,000</u>	<u>45,000,000</u>	<u>\$ -</u>
Amount reimbursed by the DWR		(32,952,152)	
Amount owed to Metropolitan		<u>\$ 12,047,848</u>	

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
General Compliance Requirements Applicable to the
Southern California Water Supply Reliability Program
For the Period July 1, 2002 through March 1, 2009

1. For the Metropolitan Water District of Southern California (Metropolitan) and the four participating agencies tested, we verified that the contractors, subcontractors, and respective agents performing any work in connection with the projects, acted independently and not as officers, employees or agent of the state.
2. We verified that Metropolitan and the four participating agencies tested, complied with all applicable requirements of the California Environmental Quality Act, the National Environmental Policy Act, and completed the appropriate environmental documentation prior to beginning any construction work associated with the Program.
3. We verified that Metropolitan and the four participating agencies tested, complied with the provisions of the Fair Employment and Housing Act.
4. We verified that Metropolitan and the four participating agencies tested, complied with the provision of the nondiscrimination program requirements of the California Government Code of Regulations Section 8103 and 12990.
5. We verified that Metropolitan and the four participating agencies tested, complied with the insurance provisions of California Labor Code Section 3700.
6. We verified that Metropolitan and the four participating agencies tested, complied with the requirements of the Drug-Free Workplace Act of 1990.
7. We verified that Metropolitan and the four participating agencies tested, complied with the requirements of the American Disabilities Act of 1990.
8. We verified that Metropolitan and the four participating agencies tested, were responsible for work and for persons or entities engaged in work, including, but not limited to, subcontractors, suppliers and providers of services.
9. We verified the semiannual progress reports detailing the activities for the reporting period were completed and filed in a timely manner by Metropolitan and verified the amount of funds that were expended, and the purpose of those expenses were stated.

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
Fiscal Compliance Requirements Applicable to the
Southern California Water Supply Reliability Program
For the Period July 1, 2002 through March 1, 2009

I. Participating Agency – Orange County Water District
Groundwater Conjunctive Storage Program - Agreement #49956

1. We selected four invoices to achieve approximately 65% coverage of total program expenses for the period June 1, 2003 through July 31, 2008, and verified the accuracy by agreeing reported expenses to the general ledger, determined that the charges were eligible program costs and were supported by adequate documentation. In addition, we verified that construction contracts followed competitive bid procedures to assure awarding of the contract to the lowest responsible bidder.

Total contract obligation through July 31, 2008 is summarized below:

	<u>June 1, 2003 through July 31, 2008</u>		
	<u>Approved Metropolitan Funding Budget</u>	<u>Costs as Invoiced and Reported to Metropolitan</u>	<u>Questioned Costs</u>
Direct labor	\$ 374,402	\$ 374,402	\$ -
Design costs	2,027,324	2,027,324	-
Construction management costs	975,772	975,772	-
Well construction costs	4,450,768	4,450,768	-
Wellhead construction costs	7,171,734	7,171,734	-
Total	<u>\$ 15,000,000</u>	<u>\$ 15,000,000</u>	<u>\$ -</u>

2. We selected one pay period, documented the payroll procedures and verified that the payroll costs charged to the program were in accordance with the program agreement.
3. We verified that in the Orange County Water District's financial system, Proposition 13 funds were segregated and maintained in accordance with generally accepted accounting principles.

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
Fiscal Compliance Requirements Applicable to the
Southern California Water Supply Reliability Program
For the Period July 1, 2002 through March 1, 2009

II. Participating Agency – City of Long Beach Water Department/City of Lakewood
Groundwater Conjunctive Use of ASR Well Program - Agreement #66066

1. We selected two invoices to achieve approximately 65% coverage of total program expenses for the period July 1, 2005 through March 1, 2009, and verified the accuracy by agreeing reported expenses to the general ledger, and determined that the charges were eligible program costs and were supported by adequate documentation. In addition, we verified that construction contracts followed competitive bid procedures to assure awarding of the contract to the lowest responsible bidder.

Total contract obligation through March 1, 2009 is summarized below:

	<u>July 1, 2005 through March 1, 2009</u>		
	<u>Approved Metropolitan Funding Budget</u>	<u>Costs as Invoiced and Reported to Metropolitan</u>	<u>Questioned Costs</u>
Design costs	\$ 352,682	\$ 352,682	\$ -
Construction management costs	163,351	163,351	-
Well construction costs	<u>2,206,919</u>	<u>2,206,919</u>	<u>-</u>
Total	<u><u>\$ 2,722,952</u></u>	<u><u>\$ 2,722,952</u></u>	<u><u>\$ -</u></u>

2. We verified that in the City of Long Beach Water Department/City of Lakewood's financial system, Proposition 13 funds were segregated and maintained in accordance with generally accepted accounting principles.

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
Fiscal Compliance Requirements Applicable to the
Southern California Water Supply Reliability Program
For the Period July 1, 2002 through March 1, 2009

III. Participating Agency – Western Municipal Water District/Elsinore Valley Municipal Water District

Back Basin Project - Agreement #83101

1. We selected two invoices to achieve approximately 65% coverage of total program expenses for the period May 31, 2007 through December 3, 2008, and verified the accuracy by agreeing reported expenses to the general ledger, and determined that the charges were eligible program costs and were supported by adequate documentation. In addition, we verified that construction contracts followed competitive bid procedures to assure awarding of the contract to the lowest responsible bidder.

Total contract obligation through December 3, 2008 is summarized below:

	<u>May 31, 2007 through December 3, 2008</u>		
	<u>Approved Metropolitan Funding Budget</u>	<u>Costs as Invoiced and Reported to Metropolitan</u>	<u>Questioned Costs</u>
Well construction costs	\$ 4,126,272	\$ 4,126,272	\$ -
Construction management costs	178,528	178,528	-
Engineering support	<u>436,300</u>	<u>436,300</u>	<u>-</u>
Total	<u>\$ 4,741,100</u>	<u>\$ 4,741,100</u>	<u>\$ -</u>

2. We verified that in the Western Municipal Water District/Elsinore Valley Municipal Water District's financial system, Proposition 13 funds were segregated and maintained in accordance with generally accepted accounting principles.

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
Fiscal Compliance Requirements Applicable to the
Southern California Water Supply Reliability Program
For the Period July 1, 2002 through March 1, 2009

IV. Participating Agency – Inland Empire Utilities Agency/Cucamonga Valley Water District
Chino Basin Groundwater Storage Agreement #49960

1. We selected two invoices to achieve approximately 65% coverage of total program expenses for the period December 1, 2003 through October 31, 2008 and verified the accuracy by agreeing reported expenses to the general ledger, and determined that the charges were eligible program costs and were supported by adequate documentation. In addition, we verified that construction contracts followed competitive bid procedures to assure awarding of the contract to the lowest responsible bidder.

Total contract obligation through October 31, 2008 is summarized below:

	<u>December 1, 2003 through October 31, 2008</u>		
	<u>Approved Metropolitan Funding Budget</u>	<u>Costs as Invoiced and Reported to Metropolitan</u>	<u>Questioned Costs</u>
Well construction costs	<u>\$ 5,147,980</u>	<u>\$ 5,147,980</u>	<u>\$ -</u>

2. We verified that in the Inland Empire Utilities Agency/Cucamonga Valley Water District's financial system, Proposition 13 funds were segregated and maintained in accordance with generally accepted accounting principles.